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African Regional Experts Group Meeting
on Domestic and Intra-African Trade

Addis Ababa, 9-13 November 1987

LC/MIRCEN

REPORT OF THE AFRICAN REGIONAL EXPERTS GROUP MEETING ON DOMESTIC AND INTRA-AFRICAN TRADE

ORGANIZATION AND PROCEEDINGS

A. Attendance and Organization of work

1. The African Regional Experts Group Meeting on Domestic and Intra-African Trade was held in Addis Ababa, Ethiopia, from 9 to 13 November 1987.

2. It was opened by Comrade Getachew Desta, Vice-Minister, Ministry of Foreign Trade of the People's Democratic Republic of Ethiopia. An Opening Statement was also made by Mr. M. Tchouta Moussa, Deputy Executive Secretary of the Economic Commission for Africa (ECA).

3. The meeting was attended by representatives of the following countries: Algeria, Botswana, Congo, Cote d'Ivoire, Equatorial Guinea, Ethiopia, Gabon Gambia, Ghana, Guinea, Kenya, Madagascar, Malawi, Mozambique, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Sudan, Chad, Tunisia, Uganda, Cameroon, The United Republic of Tanzania, Zaire and Zimbabwe. The following organizations attended the meeting as observers: the Organization of African Unity (OAU), the Food and Agricultural Organization (FAO), United Nations Development Programme (UNDP), International Labour Organization (ILO), Economic Community of West African States (ECOWAS), and the Commonwealth Secretariat.

4. The meeting elected the following countries to constitute the bureau:

Chairman	-	Botswana
1st Vice-Chairman	-	Cameroon
2nd Vice-Chairman	-	Gambia
3rd Vice-Chairman	-	Ethiopia
Rapporteur	-	Sudan

B. Adoption of the Agenda and Organization of Work

5. The meeting adopted the following agenda:

1. Opening ceremony
2. Election of officers
3. Adoption of the agenda and programme of work
4. Problems and prospects for the development and expansion of domestic trade.
5. Problems and prospects for intra-African trade
   (a) Structure, mechanisms and policies on intra-African trade
   (b) Issues on Border Trade
6. Any other business
7. Adoption of the report and closure of meeting.

C. Opening Statements

6. At the opening of the meeting, Comrade Getachew Desta, Vice-Minister of Foreign Trade of the People's Democratic Republic of Ethiopia (PDRE), speaking on behalf of the Government of the PDRE, welcomed all the delegates to Addis Ababa and expressed the hope that their stay would be pleasant. He then recalled that the phenomena of uneven development and exploitation of the resources of African countries were the prime reason for the present under-development of the region.

7. Comrade Getachew Desta further mentioned some of the efforts historically made to expand and strengthen domestic and intra-African trade which began in 1964, when the sixth session of ECA decided to set up an African Common Market. This decision was endorsed in 1976 by the 11th meeting of OAU Ministers in Kinshasa and received unanimous support from the fourth African Economic Ministers meeting in 1977. Similarly, during the 10th OAU Summit in 1973, it was stated that strengthening economic co-operation among member States, towards the achievement of free and self-reliant economic development and undertaking a common economic development strategy were the prime objectives of African countries.

8. However, declining exports and soaring import prices were cited as a barrier for the realization of Africa's goal. As regards domestic trade, he pointed out that it was a major factor for economic development and its expansion was an absolute necessity for African countries. Despite this, Government policies in many African countries had been directed predominantly to external trade with little or no emphasis on the development of domestic trade. The above factors left African nations at the mercy of the industrialized countries. He also mentioned that the problem of illegal border trade could be another factor adversely affecting the development of trade in the continent.

9. Comrade Getachew Desta continued by recalling that a number of meetings had been held since 1964 which culminated in the adoption of the Lagos Plan of Action. This event could be regarded as a most significant land-mark because the Plan considered the development and expansion of domestic and intra-African trade as the best possible means to bring about economic development. The same goal was aimed at in decisions and resolutions adopted by a series of Conferences of African Ministers of Trade where the most important objective set was to increase intra-African trade to 10 per cent of total African trade by the end of 1995.

10. He went on to say that the success achieved in the area of domestic and intra-African trade had been very minimal due to lack of developed banking and other financial institutions, the role played by multinational corporations in African economies, under-developed transportation and communication facilities, disparity between rural and urban development, etc. But these constraints should not be allowed to discourage the efforts aimed at promoting domestic and intra-African trade thereby affecting the prospects for the development of African economies.

11. He concluded by expressing strong conviction that all African countries would undertake every effort in order to achieve the final objective of making Africa a self-reliant and self-sufficient continent. He confirmed Ethiopia's readiness and full support towards the achievement of this common goal. Finally, he wished the meeting every success in its deliberations.

12. Speaking on behalf of Professor Adebayo Adedeji, United Nations Under-Secretary-General and Executive Secretary of the Economic Commission for Africa (ECA) the Deputy Executive Secretary, Mr. Tchouta Moussa, welcomed the African Regional Experts to Africa Hall. He said that the meeting was taking place as a result of the call made in the Lagos Plan of Action and in Africa's Priority Programme for Economic Recovery of 1986-1990 (APPER) to develop domestic and intra-African trade as the basis for collective self-reliance.

13. He then recalled that the important role that Domestic and intra-African trade should play in the development of the continent's economy had long been recognized by African governments. Thus, he pointed out that the rationale for such trade could not be over-emphasized since after more than two decades of independence, most African countries continued to rely on the exports of cash crops and primary commodities for their foreign exchange earnings and imports of essential products. Africa not only depended on the markets of the industrialized countries for its exports but the commodities exported were affected by instability of international commodity markets, protectionist measures adopted by the industrialized countries and the increasing use of synthetic products as substitutes for agricultural and mineral primary products.

14. In conclusion, Mr. Tchouta Moussa stressed the need for this important meeting to come up with practical measures required to implement the various resolutions and decisions adopted by the African Heads of State and Government and the African Ministers of Trade for the expansion of Domestic and intra-African trade.

D. Account of Proceedings

Problems and Prospects for the Development and Expansion of Domestic Trade (Agenda item 4)

15. In introducing document E/ECA/TRADE/84 entitled: "Structure of Domestic Trade: Summary Report on Five African Countries (Cameroon, Ethiopia, Niger, Senegal and Sierra Leone)" the representative of the Secretariat pointed out that the paper was a synthesis of five case studies which had been carried out by consultants drawn from the respective countries based on terms of reference which had been prepared by the ECA secretariat. The study derived its context from the Lagos Plan of Action and the African Priority Programme for Economic Recovery 1986-1990 (APPER) which called upon member countries to pay particular attention to domestic trade and to improve the conditions under which it was taking place so as to optimize its contribution to the socio-economic development of member States. The summary of the case studies was supplemented by a study on "Domestic Trade and Development in Africa: Measures to ensure effective contribution to balanced development" document E/ECA/TRADE/80. The paper examined the imbalance between the urban and rural sectors of African economies, the impact of poor domestic trade structures on rural development and the lack of appropriate policies with regard to domestic trade which resulted in disparity in economic levels, rural-urban population drift, decreasing levels of production, etc. The paper further highlighted the measures for improving domestic trade which should be considered along with the proposals contained in document E/ECA/TRADE/84 in drawing up appropriate recommendations for member countries.

16. The representative of the Secretariat went on to say that the specific steps required included: (i) the promotion of internal trade at national levels with particular attention to potentials offered by rural markets; (ii) rationalizing the channels of distribution to minimize the number of intermediaries and ensure control of domestic trade by indigenous entrepreneurs; (iii) keeping a balance between investment in the domestic trade sector and the productive sectors to ensure balanced development. He further stated that it was in the light of these considerations, that domestic trade was recognized as having a vital role to play in the economic development of member countries. The paper covered four aspects of domestic trade, namely: the structure of production, domestic trade mechanisms, financing of domestic trade and support measures by governments to that sector.

17. In the debate that followed, the meeting expressed its satisfaction with the documents presented by the Secretariat and stressed the vital role which domestic trade could play in the economic development of African countries. It reviewed the main obstacles to the development of domestic trade in Africa. These included inadequate production for domestic trade, lack of information on supply and demand in rural areas, lack of proper distribution networks, difficult access to rural areas and lack of financing and insurance mechanisms. As regards institutional support to domestic trade, the meeting recognized that some countries had not set up appropriate structures dealing with domestic trade; the experts however agreed that many countries had the required structures but were not using them properly and efficiently.

18. Some participants expressed the experiences of their countries relating to incentive mechanisms for the development of domestic trade such as provision of remunerative prices to rural producers; encouragement of liberal trade laws; assistance to peasants by sending trained agriculturalists to rural areas; establishment and improvement of physical infrastructures; establishment of distribution regulations; building of storage facilities in rural areas; the creation of a system of incentives to encourage production and organization of trade promotion events such as national fairs with a view to exchanging information and creating awareness among domestic trade operators. The meeting also agreed that the level of per capita incomes of African countries, especially in the rural areas, was very low and limited the purchasing power of the people. Therefore, there was a need for improving income levels in support of domestic trade expansion measures.

19. At the planning stage, countries should take into account all components of domestic trade with a view to seeking remedial actions for the bottlenecks identified. Mere establishment of structures is not sufficient unless activities were planned and co-ordinated with precise national policies and pragmatic measures to implement decisions taken.

20. After in-depth deliberations on the issues of domestic trade, the meeting adopted the following conclusions and recommendations:

(a) Conclusions

(i) The structure of production is mainly agricultural and does not tend to promote trade because there is no complementarity; the industrial component is very centralized geographically which tends to concentrate the highest incomes in the industrialized zones with a subsequent impact on the structure of markets;

(ii) As far as market structure is concerned, there is a wide gap between urban and rural markets which is the result of (a) the relative importance attached to the modern sector; (b) product diversification; and (c) the prices of goods. As far as the geographical structure of markets is concerned, there is very little trade between the interior regions of the country except through the capital. The development of border markets highlights the consequences of isolating some of the people from the domestic trade networks;

(iii) There is great confusion with respect to the organization of economic operators: (a) their respective roles are not sufficiently defined; (b) operators of the modern and traditional sectors carry out parallel activities on the same market; (c) there is a plethora of middlemen between the sources of supply and consumers living in remote areas, thereby increasing distribution costs;

(iv) The distribution networks are characterized by a general lack of wholesale distribution centres in the interior of the countries which goes hand in hand with a lack of physical distribution facilities such as roads, warehouses and storage facilities. The consequences of the foregoing are that the demand for certain basic products is either not satisfied or the product prices go up due to the increased number of middlemen between the producer or urban wholesaler and the consumer.

(v) The bulk of financing for domestic trade generally goes to the modern urban sector. The limited financing available is often short-term bank credit which is specific and does not take into account the turnover of stocks. That is why self-financing, which is limited in volume, is the main source of credit in the domestic trade sector.

(vi) Although commercial operators are dynamic in high-density population areas, they meet with constraints in the interior of the country which prevents them from developing their activities. Indeed, the development of trade is hampered by the inadequacy of road infrastructure which makes the rural population inaccessible

while supply and demand are not fully assessed and access to financing, that will make it possible to acquire physical collection and distribution facilities such as semi-traditional or modern means of transport, stocks and stocks, is limited making products either unavailable because they deteriorate or too expensive for potential consumers. Part of the domestic market is thus lost. These problems are compounded by the lack of information on supply and demand in rural areas. The fact that the role of each type of commercial operator is not sufficiently defined causes unfair competition between semi-wholesalers, wholesalers and retailers when the former also operate as retailers.

(vii) The above-mentioned impediments and constraints hamper the expansion of the sector thereby affecting (a) the development of national production because of a lack of access to potential markets or to sources of supply in inputs and raw materials, and (b) the integration of rural areas in national socio-economic development.

(viii) Up until now, many African countries have not developed adequate policies or strategies for promoting domestic trade as such. Where some measures have been taken, these have been confined to (a) encouraging nationals to engage in domestic trade; (b) setting down possible condition of admission to the trade of wholesaler (c) fixing prices of specific products mainly agricultural produce; (d) government intervention in the marketing of agricultural produce, and (e) providing various types of support to co-operatives. Some countries have, however, been according growing importance to the sector for about 10 years. Their government's philosophy has influenced the direction of the measures they took: liberalizing the private sector and giving it more responsibility.

(ix) Aware of the shortcoming of their domestic trade sector and of its importance in their socio-economic development in general, countries should continue to take measures to increase the sector's contribution to national growth and to satisfying the need of the population. The objective of some countries is to replace private commercial operators by parastatal agencies and public organizations. They have therefore taken, and continue to take, measures to support such agencies and organizations. The objective of overall action in the trade sector is to make it a more efficient tool for economic development. Accordingly, measures should include the restructuring of trade channels, assistance to small - and medium - sized enterprises, improving the quality of trade statistics information, establishing infrastructure for distributing major consumer products throughout the country and a policy of price control of major consumer goods throughout the country.

(x) Efforts in the field of domestic trade have generally been concentrated on how to supply the requirements of urban areas and on the flow of agricultural products from the countryside to the towns. The catalytic role of domestic trade in increasing production has often been overlooked. Nevertheless, dynamic and organized systems of trade are a key element in boosting production. They give producers access, first to raw materials and other necessary production inputs and then to markets with a view to satisfying consumers' requirements.

(xi) Currently, the domestic trade structure in African countries is a reflection of dualism which characterizes their economies. At each level of the domestic trade structure, there is a flagrant disparity between the situation in the urban area and that in the rural area. In order to integrate rural areas into national economic development, a better balance in the trade structures is required by ensuring that the distribution networks are organized in such a way as to be able to supply the needs of rural consumers and producers.

(xii) Although several states have taken certain decisions relating to the organization of their domestic trade, these have not always been accompanied by measures which make it possible to implement them. Thus, although each country has established regulations governing admission to the trade, and promoting a certain category of national commercial operators such traders have generally neither been given supervisory or training programme nor have they been granted appropriate financing facilities to enable them to establish or expand their trading firms. On the other hand, some aspects of the sector have either not been given the attention they deserve or the decisions taken with respect to them have not been co-ordinated. Such is the case of production incentives that are not accompanied by an increase in storage capacity (agricultural production) or an improvement in distribution infrastructure in the case of manufacturing output.

(b) Recommendations

21. The following recommendations are made to African states to enable them to increase the contribution of the domestic trade sector to the development of their economies and to promote a more rapid integration of rural areas in such economies. The recommendations are in response to the problems of the sector identified as priorities:

(a) The governments should take into account the vital role of domestic trade and the co-ordination required between development objectives of the various sectors or subsectors of the national economy as, for example, production, transport and communications facilities.

(b) They should promote a policy of diversifying and increasing national production which will better satisfy domestic demand and thus increase trade;

(c) The public and other relevant authorities should take measures to promote national products;

(d) As far as the improvement of distribution networks is concerned, they should first improve the volume and quality of information on the sector especially with respect to supply and demand for foodstuffs.

(c) They should take measures to promote the consolidation of supply and demand in the interior of the country, organizing and strengthening as far as possible, integrated networks between production groups, consumer groups, wholesalers' associations and retailers' associations;

(f) In order to shorten distribution channels and reduce the number of middlemen between the producer and the consumer, the governments should strengthen or promote the development of wholesale trade in the rural areas and infrastructure for the distribution of major consumer items;

(g) Such incentives should go hand in hand with financing facilities that are more suitable to the sector and which concern the financing of stocks of goods as well as investments on warehouses and means of transport needed for the business. Appropriate working conditions should be created to enable commercial operators to operate efficiently without any danger of disrupting the distribution networks;

(h) They should undertake, as a measure of priority, investment in the development of domestic trade, transport and communication infrastructure (including the establishment of storage and distribution centres, the provision of agricultural inputs, etc.) and promote a more balanced growth through the development of growth poles at different points in the country;

(i) The price policies implemented should ensure that there is no deterioration in the domestic terms of trade to the detriment of the rural population by increasing producer prices and controlling the prices of some essential commodities. The public authorities should take into consideration the need to protect consumers in remote areas who are badly informed and are more easily victims of speculation on products.

(j) The public authorities should effect a shift in the development of infrastructural programmes to the benefit of the interior of the country. As far as transport facilities are concerned, it is appropriate to develop the use of intermediate means of transport where it is unprofitable to use heavy vehicles;

(k) Governments should offer vocational and supervisory training programmes for commercial operators and the staff of intervention agencies;

(l) If they have not already done so, governments should establish directorates or ministries responsible for domestic trade thus officially recognizing the importance of the sector to the national economy;

(m) Make a detailed analysis of demand in order to [illegible] domestic production to satisfying such demand;

(n) Adjust the policy on the incomes of farmers in order to increase their purchasing power;

(o) Make more credit available for the development of the rural sector.

(p) Expand the network of access roads according to sectoral and regional production objectives and in relationship to the plans for establishing storage, warehousing and processing facilities;

(q) Establishing a well-defined structure for economic operators clearly stating the role of each type of operator such as importers, semi-wholesalers and retailers;

(r) Define the role of parastatal enterprises and set up co-operatives and ensure that they operate smoothly;

(s) Develop a regular system of domestic transport to ensure the movement of products and the supply of isolated regions;

(t) The public authorities should accord domestic trade the priority it deserves in development programmes because of its catalytic potential in the process of production expansion. Any attempt to expand intra-African trade will not succeed unless domestic trade structures are strengthened.

Problems and Prospects for Intra-African Trade (agenda item 5)

(a) Structure, mechanisms and policies on intra-African trade

22. In introducing the document on "The Development and Expansion of Intra-African Trade: A policy paper" (E/ECA/TRADE.85) the representative of the Secretariat drew attention to three other background papers: "Statistical Analysis of Intra-African Trade (1970-1986) (E/ECA/TRADE/91)," "Compendium of Decisions, Recommendations and Resolutions on Expansion of Intra-African Trade, adopted by the Conference of African Ministers of Trade and the ECA Conference of Ministers since 1980" (E/ECA/TRADE/89) and "Identification of Products mainly Consumed in Rural Areas" (E/ECA/Trade/94). He indicated to the meeting that despite the establishment of subregional economic and trade groupings, intra-African trade was not only at a low level but had been declining. During the 1960's intra-African trade represented 10 per cent of Africa's total trade but now stood at a little over 4 per cent. He emphasized that one of the major reasons for such deplorable situation was the fact that African countries had oriented their production and distribution structures to the export of primary commodities to industrial countries, that prospects for these export were seen due to the instability of international commodity markets arising from fluctuations in demand and also the increasing use of synthetic products by industrial countries, and that Africa's development would depend on expansion of intra-African trade.

23. There was therefore the need to properly use the existing economic and trade subregional groupings for its development. He also highlighted the main contents of the document especially the obstacles to the development of intra-African trade and drew the attention of the meeting to the recommendations made in the text to be taken at national as well as at subregional and regional levels to promote such trade. He stressed the need to reorientate and re-adjust present trade policies with a view to giving priority to intra-African trade flows. Such measures should include strengthening trade financing and payments mechanisms, restructuring national markets, revitalizing trade institutions in order to maximize their contribution in this area, as well as improving intra-African trade information networks and developing transport and communication links within the region.

24. In the debate that followed, many delegations commended the Secretariat for the comprehensive and serious studies it had prepared. The meeting discussed in detail the major obstacles faced by African countries in promoting trade with each other. Some participants were of the opinion that the lack of political will was the main factor that was responsible for the low level of intra-African trade. Other delegations were of the opinion that placing too much emphasis on the lack of political will was overshadowing the real constraints which actually hindered the advancement of this trade, such as existence of non-complementary industries in many of the African countries as well as the high tariff and non-tariff barriers which seriously hindered intra-African exchanges. The meeting also reviewed several other factors which constituted obstacles to the promotion of intra-African trade. Among them were lack of qualified manpower conversant with the modern marketing techniques, lack of initiative on the part of indigenous entrepreneurs, consumption patterns which favoured goods imported from industrialized countries and problems of trade financing.

25. Furthermore, the meeting identified the following major problems and constraints of intra-African trade.

(a) The first major reason for the low level of intra-African trade relates to the structure of production and distribution. There is a lack of goods which is associated with the problems of transfer and adaptation of technology, technical and managerial expertise and entrepreneurial skill. The range of products available for trade remains very restricted and even where the required technology for production can be absorbed, producers are unable to take advantage of the economies of scale of production because of their limited national markets. An aspect of the limited size of markets in most African countries is the peripheral nature of rural markets due to the inadequacy of internal means of transport and communications. The low level of income of rural populations and the limited purchasing power, is a contributory factor in reducing the size of rural markets. In addition, insufficient amounts of financial resources are generally set aside for rural development resulting in the present serious imbalance in the growth and development between the urban and rural areas.

(b) The second problem is that of divergence between demand and supply which is partly the result of lack of information within the region. This relates to food commodities as well as to consumer goods and the demand is generally met by imports from the industrialized countries while in fact capacity exists for production to meet demand of some products. A related problem, is the poor quality and high price of many African products which makesthem uncompetitive with similar goods from the industrialized countries. The fact that quality control and standards are not established in the African region constitutes yet another serious obstacle to the promotion of intra-African trade.

(c) The third problem relates to the role of transnational corporations (TNCs) in African economies which has been decisive in determining production and trade structures. TNCs control large scale agricultural production, essentially cash crops and also concentrate on the mining sector and extractive industries for export. Decisions on investments and what crops to produce do not give priority to food production especially for local consumption. Hence, the mining and extractive industries concentrated on export of crude minerals rather than in their semi-processed or processed form. The restructuring of African economies as a measure to promote co-operation and trade among the African countries is largely frustrated by the activities of TNCs since the colonial patterns of production and trade have not changed significantly in many African countries. These countries continue to be vulnerable to manipulations by TNCs in terms of pricing and earnings. The meeting agreed that it was the responsibility of the African governments to adopt the necessary administrative and legislative machinery to deal with the issue.

(d) The fourth major problem that needs special mention is that tariffs and other import restrictions constitute a major obstacle to intra-African trade. Customs tariffs constitute an important source of revenue for African countries and for that reason, their removal or reduction have been very difficult to implement despite hard and protracted negotiations within the existing subregional economic groupings. An allied problem is the application of "rules of origin" which requires a substantial proportion of "value added" for the goods to qualify for trade among member countries of the group. For instance, recent decision of the PTA authority to review the terms of tariff reduction agreed in the Treaty to extend the period for its removal underscores the seriousness of this problem and its consequence for intra-African trade expansion.

(e) The fifth problem of intra-African trade relates to inadequate financing. Banking facilities including trade credit and guarantee schemes are generally not geared to such trade and the problem of settlement of trade balances are undoubtedly a serious handicap to intra-African trade expansion. The creation of institutions such as clearing houses and subregional trade and development banks are intended to minimize the use of scarce convertible foreign exchange by encouraging the settlement of trade balances rather than payment in full for each trade transaction. However, their potential for promotion of intra-subregional trade has not been fully exploited and hence their impact on trade expansion has so far been limited. Moreover, some countries do not have full knowledge about their own financial resources potential and generally resort to foreign sources before making any attempt to tap the domestic financial market for intra-African trade.

26. Following a very extensive debate and analysis of the issues on intra-African trade, the meeting adopted the following conclusions and recommendations:

(a) Conclusions

(i) Despite the efforts made by African countries to promote and develop intra-African trade, its share in total trade was about 4.0 per cent in 1985 and continues to decline in some countries. This reflects a number of structural problems among which the primary commodity export dependence is a major factor. Part of this problem arises out of the role and activities of transnational corporations engaged in the production and trade in primary commodities which are reluctant to introduce processing and transformation of primary commodities, minerals and other raw materials. As a result, production and distribution structures are not geared to intra-African trade promotion and countries generally place emphasis on foreign exchange earnings and therefore prefer to trade with the industrialized countries.

(ii) Over the past two decades or so, considerable progress has been achieved in developing national and subregional institutions for economic co-operation in which intra-African trade has been given high priority. However, the member States of these subregional institutions do not use them fully for promoting intra-African trade. For instance, the existing payments and clearing arrangements in Eastern and Southern, Central and West Africa are presently underutilized because traders prefer to settle their transactions outside these mechanisms.

(iii) Experience in international trade relations has shown that the future development prospects of African countries do not lie in the increased trade with the industrialized nations but in the promotion of intra-African trade within the framework of collective self-reliance. However, past and present trade policies of many African countries do not focus on the development and expansion of intra-African trade despite the adoption of the Lagos Plan of Action and other subsequent decisions by the Conference of African Ministers of Trade. It is therefore important that drastic changes be made in Africa's trade policies in order to place greater emphasis on intra-African trade as a means of accelerating the process of economic recovery, growth and development.

(iv) In addition to the structural, policy and institutional problems identified, the African countries face other issues which need to be adequately addressed. These include the problems of developing the required technical and managerial skills for dealing with intra-African trade; the lack of adequate, reliable and up-to-date information on domestic and intra-African market opportunities; the low level of investment and financing available for intra-African trade; the pricing policy which distorts the cost structures of African products vis-a-vis imported goods; and the lack of effective intra-African marketing strategies and techniques.

(b) Recommendations

27. At the national level, the Governments are urged to adopt the following policy measures:

(i) Restructure production structures to more efficiently allocate more resources to the development and expansion of production of food and consumer goods for intra-African trade. Specific rationalization measures should be initiated so as to bring production and supply of sugar commodities in line with long term demand. Countries should also adopt appropriate price policies for agricultural products to provide adequate incomes to the rural population to ensure their effective participation in the money economy.

(ii) Promote new domestic and export demand for their primary commodities through increasing market research, development assistance and improved market information systems. National commodity export units should be established where they do not exist to monitor the impact of new materials and market conditions and promote intra-African trade in commodities.

(iii) Create specific technical units in the relevant ministries to determine appropriate policies to deal with TNCs and direct their activities towards national economic development and institute appropriate administrative and legislative measures to curb unrealistic and restrictive business practices including strengthening of national institutions dealing with these issues.

(iv) Develop and promote the establishment of small scale industries and rural handicrafts as well as encourage the development of small agro-industrial projects in the rural areas.

(v) Adopt appropriate legislations to direct financial institutions to provide adequate credit to indigenous entrepreneurs and businessmen to promote intra-African trade; promote the establishment of joint commercial banks in other member countries of the African region; encourage the use of African financial institutions such as clearing houses and trade and development banks, and adopt appropriate interest rates to discourage capital flight out of the country and encourage domestic savings and realistic exchange rates to promote trade among the African countries.

(vi) Develop effective trade information network to ensure the availability of data on African market situations.

(vii) Establish appropriate national institutions for the training of skilled personnel and managerial staff to promote production and trade. Organize on a regular basis refresher courses, training seminars and symposiums on specific problems relating to production and trade for African development.

(viii) Promote the development and expansion of national production and trade promotion institutions including manufacturers associations, chambers of commerce, businessmen's organizations.

(ix) Promote the establishment of State Trading Corporations for trade in products and commodities of vital importance to the country: fuel, staple food, raw materials, etc.

(x) Urge and encourage trade operators to procure their import requirements from regional sources before looking to overseas suppliers;

(xi) Provide adequate foreign exchange quotas for procurement of import requirements from the African region;

(xii) Establish and/or strengthen national bureaux of standards or relevant institution for quality control and standardization of goods manufactured in their territories;

(xiii) Fully utilise joint commissions for the promotion of intra-African trade, namely, by establishing joint ventures and signing trade agreements including provisions for credits and transfers;

(xiv) Rationalize and streamline their tariffs and import regimes so as to facilitate development promotion and expansion of manufactured goods for exports.

28. At the subregional and regional levels, the countries should adopt the following measures:

(i) rationalize the activities of existing economic groupings through the specialization in specific sectors and the rationalization of some groupings to avoid duplication, ensure regular consultation to implement fully the provisions of the Treaties of the subregional groupings and in particular, accord highest priority to the establishment of multinational production and marketing enterprises;

(ii) establish long-term purchase and supply agreements; develop counter-trade measures and increase the use of clearing and payments arrangement to minimize the use of convertible foreign exchange; as a measure of priority, undertake joint research on supply and demand of food commodities in each African subregion for the adoption of appropriate production and supply policies to save the continent from further food crises and mass starvation;

(iii) establish appropriate multinational financial institutions including insurance companies in support of multinational African production and intra-African trade;

(iv) co-ordinate the development of transborder transport and communications networks for rail, road, air, river and sea transport including the establishment of African multinational airlines and shipping services;

(v) Adopt and enforce measures towards facilitation of transit trade among African countries with a view to develop intra-African trade and to facilitate the economic integration of the continent and promote commercial intercourse;

(vi) co-operate fully towards the establishment of subregional and regional trade information network and strengthening such institutions where they exist through the exchange of information and techniques among themselves, encourage and facilitate the free movement of African traders and businessmen.

(vii) the gradual removal of tariff and non-tariff barriers on trade among African countries;

(viii) support, harmonize and rationalize activities of exisitng trade promotion, management and training institutions and utilize efficiently these institutions;

(ix) participate fully in the 'Buy African Goods' campaign and adopt new measures to ensure its success;

(x) organize, under the auspices of the ECA, a Meeting of all the African Sub-regional and Regional Organizations as well as the Arab Bank for Economic Development in Africa (BADEA) in order to devise concrete recommendations on the issues of intra-African trade in line with the recommendations of this report and to report to the next meeting of experts on trade;

(xi) establish appropriate consultancy services aiming at assisting African countries in organizing the diversification of their production line from production of primary goods to production and intensification of intermediate goods and final goods capable of competing with goods imported from the industrialized countries which are marketed in Africa;

(xii) a system of follow-up be devised by each country to ensure the implementation of decisions and commitments made at appropriate levels;

(xiii) Governments, in conjuction with relevant sub-regional institutions, should continue to mobilize funds from donor agencies for assisting in participation in Trade Fairs and Exhibitions organised in the African region.

(b) Issues on border trade

29. With regard to this item of the agenda, a representative of the Secretariat presented the paper entitled "Unrecorded Transborder Trade Between African Countries: A Preliminary Note by the Secretariat" document E/ECA/TRADE/86. The representative of the Secretariat stated that the paper had been prepared in response to the serious concern expressed by many African governments on the extent of unrecorded trade and its impact on their economies. Such trade was viewed as illegal and considered to have an adverse effect on the economies of African countries. By its very nature, the issue of unrecorded border trade involved different countries and its control was therefore the concern of all these countries. The paper presented was based on information gathered from a study in West Africa and from missions to a few African countries from which general observations were made and proposals for recommendations drawn up. These proposals were to be considered by the meeting and improved upon in the light of the experiences of participants at the meeting with a view to submitting appropriate recommendations to the member countries.

30. Following the presentation, delegations expressed their satisfaction with the study submitted and proposed that a more comprehensive study should follow in due course given the preliminary nature of the present one. Some suggestions for consideration in the future study were put forward. It was proposed that an appropriate definition should be given for unrecorded trade and the problem of border trade agreements between countries should be examined.

31. The following conclusions and recommendations were adopted:

(a) Conclusions

(i) Illegal transborder trade takes different forms and covers all types of goods from primary commodities to general consumer goods and luxury products. Most countries affected by illegal transborder trade were concerned about the effects of such trade, positive or negative, large or small. Unrecorded trade was fulfilling an important economic function in the countries concerned where supplies were not regularly available in the given country. Some economic policies and institutions were partly responsible for the existence and persistence of illegal trade, and needed to be reviewed by the countries concerned. Because of foreign exchange shortages and poor domestic trade structures, some countries were forced to accept illegal trade as a means of satisfying internal demand, principally for consumer goods and essential commodities including foodstuffs, raw materials and even durable goods such as cars, spare parts, bicycles, tyres which contributed to the efficiency of the economy. To eradicate illegal trade, measures must be taken to meet the essential requirements of the population.

(ii) Loss of revenue and foreign exchange leakages, distortion within the economy due to currency dealing in parallel markets have interrelated causes and effects. Currencies of neighbour countries used in transborder trade, although officially not convertible, were to all intents and purposes, convertible since they were used as much for imports as for exports. The major issues to be tackled were therefore the inadequate supply of food products, supply of general consumer goods and essential commodities, appropriate investments in the productive sectors, establishment of realistic exchange rate, removal of wide price differential, reform of inefficient tax policies and trade and customs procedures, the adoption of appropriate foreign exchange regulation and import policies and realistic pricing policies. Monetary and fiscal measures were also necessary to make adjustments within the economy especially to control inflation and misalignment of the currency with those of neighbour countries, in order to maintain the real purchasing power. Over-valued currency in some cases was the root cause of currency dealing and smuggling.

(iii) A major course of action, in dealing with the root problems of trans-border trade, was to improve the efficiency of investment and increase production of consumer goods. Incentives such as better access to foreign exchange for importing capital goods and spare parts, lower rate of taxation and other financial incentives such as cheaper loans and easier repayment terms given to manufacturers and importers would improve investment, expand production and remove excess capacity in production and in the long run drastically reduce the incidence of smuggling;

(iv) In the absence of high tariffs and severe trade restrictions, trade between countries would take place freely and traders would generally not resort to smuggling of goods across national borders. The higher the tariffs and the more severe the restrictions, the higher will be the tendency to resort to smuggling;

(b) Recommendations

32. The following recommendations were adopted by the meeting to assist member countries to deal with border trade problems on the understanding that the Secretariat would prepare a more elaborate study:

(i) In order to curtail illegal transborder trade, governments should promote investment and provide incentives to increase the production of food and essential commodities to satisfy internal demand;

(ii) Governments should adopt appropriate pricing policies for agricultural and mineral products to encourage producers to maintain production and sell through official marketing channels;

(iii) Marketing boards and co-operative systems should be streamlined and made more efficient in the collection of goods and payment to producers;

(iv) Transport network and storage facilities should be improved to facilitate the internal management of agricultural production;

(v) Measures should be taken to remove wide price differentials with neighbour countries in the pricing of food, essential commodities as well as luxury consumer goods;

(vi) The level of import duties and export taxes should be adjusted so as to remove tax evasion as an incentive to smuggling. Where feasible, tariff and customs rules and regulations should be harmonized with those of neighbour countries;

(vii) Decentralize [illegible] traders to use official trade channels;

(viii) Where possible, liberalize foreign exchange allocations and control to allow imports of essential goods;

(ix) Undertake regular reviews of official exchange rates with currencies of neighbour countries and institute a system of settlement of trade transactions in these currencies;

(x) Where the currency of the country was unstable, a system of dual exchange rates could be considered to level off the supply and demand of hard currency;

(xi) Customs administration should be improved by providing adequate facilities to customs officials to carry out their functions efficiently and effectively;

(xii) Joint Border Commissions should be encouraged and strengthened;

(xiii) Introduce more punitive measures to discourage smuggling;

(xiv) Take appropriate measures to facilitate trade which are presently taking place illegally.

Any Other Business (Agenda item 6)

33. Under this agenda item the OAU and ECA Secretariats reminded the participants about the Fifth All Africa Trade Fair which will be held in Kinshasa, Zaire, from 16 to 31 July 1988 and appealed to them to pass this message to their governments for full attendance since this is one of the ways to promote intra-African trade.

34. Participants' attention was drawn to document E/ECA/TRADE/91 entitled "Statistical Analysis of Intra-African Trade" and were requested to provide the Secretariat with more information on statistical data so that the tables could be up-dated.

Adoption of the report and closure of the meeting (Agenda item 7)

35. At the conclusion of its deliberations, the meeting adopted its report. The Chairman thanked the participants for their active participation in the deliberations of the meeting. He also thanked the Secretariat for the excellent and inspiring documents and to the interpreters for their valuable support to the meeting. He appealed to the experts to draw the attention of their respective governments to the need to implement the recommendations adopted by the meeting.